

State Employee Benefits Committee
Monday, March 10, 2014 at 2:00 p.m.
Tatnall Building, Room 112
Dover, Delaware

The State Employee Benefits Committee met on March 10, 2014, at the Tatnall Building, Room 112, Dover, Delaware. The following Committee members and guests were present:

Ann Visalli, Director, OMB
Brenda Lakeman, Director, OMB, SBO
Faith Rentz, Deputy Director, OMB, SBO
Casey Oravez, OMB, Financial Operations
Dawn Guyer, OMB, Financial Operations
Dawn Davis, OMB, SBO
Jon McDowell, SHRM
Sean Carroll, Segal
Howard Atkinson, Segal
Michael Morton, Controller General
Kimberly Reinagel-Nietubicz, CGO
Valerie Watson, Department of Finance
David Craik, Pension Office
Henry Smith, DHSS
Chip Flowers, Treasurer
Kelly Callahan, Office of the Treasury
Jennifer Mossman, Highmark DE
Jackie Rhoads, Highmark DE
Joe Moroco, HMS
Mike North, Aetna

Andrew Kerber, DOJ
Kim Hawkins, City of Dover
Michael Kelleher, University of DE
Karin Faulhaber, PHRST
Patricia Griffin, SEBAC Chair
Karen Weldin Stewart, DOI
Courtney Stewart, CGO
Paula Roy, Roy Assoc.
Karol Powers-Case, DRSPA
Cyndi Angermeier, DSEA-R
Jim Testerman, DSEA-R
Ronald Burrows, DRSPA
Wayne Emsley, DRSPA
Hugh Ferguson, DRSPA
David Taylor, DRSPA
Vivian Postlewait, DSEA-R

Introductions/Sign In

Director Visalli called the meeting to order at 2:05 p.m. Anyone who had public comment was invited to sign-in and any others wishing to comment would be given the opportunity at the end of the meeting. Introductions were given around the room.

Approval of Minutes

Director Visalli requested a motion to approve the minutes from the February 21, 2014 SEBC meeting. Ms. Valerie Watson made the motion and Controller General Morton seconded the motion. Upon unanimous voice vote the minutes were approved.

Director's Report – Brenda Lakeman

Ms. Lakeman stated that there are eleven companies that have submitted their intent to bid on the Flexible Spending Account contract. It was mentioned that due to the Marketplace implementation there have been changes in spousal coverage. In most cases spouses have moved from secondary to primary coverage through the State. Our carriers are working to track the changes and we will keep the Committee updated.

FY15 Group Health Insurance Program Planning - handout

Ms. Lakeman reviewed the slide presentation and explained that most of the objectives were discussed at the last meeting, with the exception of compliance with the Essential Health Benefits (EHB), a benchmark plan adopted in the State of Delaware in 2012 as required by the Affordable Care Act. (ACA) Annual and/or lifetime dollar limits cannot be applied to EHB offered in any plan. An analysis of the Group Health Plan options indicated compliance with the State of Delaware's EHB Benchmark Plan with two exceptions that must be removed; \$5,000 per plan year limit on durable medical equipment (DME) and \$1,000 per plan year limit on hearing aid coverage for dependents up to age 24. The FY15 financial impact is estimated to be \$57,000. Director Visalli commented that this must be done and she does not anticipate any objections.

Ms. Lakeman stated that the dental and vision rates would be increased per year four of the contract with each of the carriers and includes an ACA tax which will be passed onto the members.

The FY14 projected revenue is \$614.9M less the projected expenditures of \$613.8M for a total projected positive balance of \$1.1M. The projected year end health fund surplus above obligations for the rest of the year is estimated to total \$8.3M. Insurance Commissioner Stewart asked for the balance on June 30, 2013 and thought there were fewer employees because many jobs have not been filled as employees leave employment. Director Visalli stated that although jobs have remained vacant, there have been more teachers hired and there is not a net decrease to the number of members in the health plans. Treasurer Flowers asked how the surplus will go from \$21M to \$8.3M by the end of June. Both Ms. Lakeman and Director Visalli explained that claims impact the balance and this is an estimated number that takes into consideration our expenses and accounts payable.

The FY15 revenue projections are estimated to be \$616.3M with expenditure projections estimated to be \$631.5M, which leaves a total deficit of \$15.2M. It was noted that the expenditure projection reflects a trend increase of 3.0% and required ACA fees. Ms. Lakeman acknowledged that the Committee had already reviewed the cost savings options of the Advanced Utilization Management and Compound Medication Coverage Review programs, which would provide an estimated savings of \$1.9M and \$450,000 respectively. Director Visalli commented that since she felt the Committee was comfortable with both prescription changes, they are mentioned on each of the options. The Committee was asked to keep in mind the estimated surplus of \$8.3M as they are presented with the options to meet the deficit.

Changing copays is an opportunity to incentivize the use of generic prescriptions which becomes additional savings to the plan. It was stressed that for every one percentage point increase in generic dispensing the plan could save approximately \$4.3M. Ms. Lakeman showed the Committee two options for prescription copay increases and explained that the cost of generics would remain the same to incentivize members to use generic when possible. Ms. Lakeman reminded the Committee that there was an appeal process in place if the member was unable to take the generic. Controller General Morton asked how many members would be affected by the increased copays. Director Visalli explained that it was an aggregated spend rather than individual.

Ms. Lakeman presented medical plan copay change options and explained that all options allowed the State to maintain Grandfathered status in the First State Basic, HMOs and PPO plans. In addition, all changes as reviewed could save \$4.7 as presented. Insurance Commissioner Stewart had a question about lowering overnight stays in hospitals and Ms. Lakeman ensured that SBO continues to work with the vendors on reducing costs. Treasurer Flowers asked how the decision was made to increase the copay for Emergency Room visits. Ms. Lakeman explained that most visits to the ER could be treated at an Urgent Care facility and that communications are planned to encourage the use of Urgent Care facilities. Ms. Rentz provided that of the 19,000 ER visits in FY2013, only 11% resulted in hospital admissions and these results will be shared to help educate the members.

Five options were reviewed and much discussion ensued amongst the Committee members. Controller General Morton asked if the Transitional Reinsurance Fee of \$6.2M was a one-time fee and was advised that this was an annual fee. The cost share of employer versus employees was discussed and Mr. Kerber clarified and reviewed House Bill 81 with the group. Director Visalli recommended that the group increase copays slightly as well as use surplus funds and suggested a hybrid of options three and four. The Committee asked to hear SEBAC's recommendation to help make the decision.

SEBAC Comment

SEBAC asks SEBC to factor in the potential impact of each health benefit savings option on all employees, particularly on lower pay grade employees (for example, to consider the overall impact of copay increases on employees versus premium increases).

Ms. Watson commented that the surplus may not be available in the future and that sooner or later copays would have to be increased. Ms. Lakeman recommended a slight increase and reminded the Committee of the Cadillac tax that would be

imposed in 2018. In addition, DelaWELL rewards could be earned and used towards copay cost. Director Visalli suggested that a summer Work Committee be formed to review those that would be impacted by a prescription copay increase in response to Controller General Morton's question. The Work Committee would be tasked with gathering information so that a solution on increasing copays could be made in the future. Director Visalli commented that it seemed as though SEBC was leaning towards option four below with the exception of including the prescription copay changes of \$2.5M.

Implement Prescription Coverage Management Programs:	
Advanced Utilization Management Bundle Package	\$1.9M
Compound Medication Coverage Review	\$0.5M
Implement Emergency Room Copay Changes	\$0.3M
Implement Rate Increase –	
\$3.1M General Fund Increase equals	\$5.0M
(\$0.10 to \$0.80 per month active employee/non-Medicare retiree	
Increase and \$0.00 to \$0.06 per month Medicare retiree increase)	
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	\$7.7M
Surplus utilization	<u>\$7.5M</u>
Total needed for deficit	\$15.2M
Surplus balance	\$0.8M

Ms. Lakeman reviewed the Mental Health Parity and Addiction Equity Act (MHPAEA) and stated that the State is permitted as a self-funded non-federal governmental plan to apply for exemption to MHPAEA and requests approval to do so at this time.

Ms. Rentz advised of two additions to the DelaWELL plan this year which includes allowing participants to visit their physician's office for their biometric numbers in lieu of onsite health screening to earn Silver level award and adding Quit For Life through Alere to earn the Gold level incentive. Ms. Rentz concluded the DelaWELL portion of the presentation and advised that the DelaWELL program is expected to have adequate funds remaining for the incentive payments in FY15.

Public Comment

Mr. Ron Burrows, DRSPA, commented that not increasing the copay for generic medications was a great thing and he agreed with the SEBAC comment. He reminded the group that pensioners must pay \$105 out of their Social Security monthly benefit towards Medicare Part B and that even though both tier 2 and 3 would increase \$10 for a 90 day supply, the increase for tier 2 is a higher percentage than the increase for tier 3.

Mr. Jim Testerman, DSEA – R, explained that it was the wrong time to increase the prescription copays because all the changes for Obama Care are unknown. As we age more prescriptions are necessary and many pensioners live below the poverty level.

Mr. Hugh Ferguson, DRSPA, thanked the Committee for being candid with everyone.

Mr. Wayne Emsley, DRSPA, commended the Committee for all their efforts and commented that the copays are the opposite of the premiums; copays penalize those that are ill or older and premiums are shared by all to afford the group medical insurance.

Ms. Karol Power-Case, DRSPA, commented that as a person ages the more medicines they must take and informed the group that her spouse's annual prescription cost is \$2,500. She also stated that there are no Urgent Care facilities in Sussex County. Director Visalli stated they would have that discussion with the vendors.

Other Business

None.

Director Visalli asked for a motion to approve the rate increase and budget option as listed above. Insurance Commissioner Stewart made the motion and Ms. Smith seconded the motion. Treasurer Flowers did not vote and is so noted. The motion passed with a unanimous voice approval.

Director Visalli asked for a motion to approve applying for exemption to MHPAEA. Ms. Griffin made the motion and Controller General Morton seconded. With unanimous voice approval the motion carried.

Director Visalli asked for a motion to approve the FY15 DelaWELL Silver and Gold Level Incentives. Ms. Watson made the motion and Controller General Morton seconded. With unanimous voice approval the motion carried.

Director Visalli asked for a motion to adjourn the meeting at 3:30 p.m. Ms. Watson made the motion and Controller General Morton seconded. With unanimous voice approval the motion carried.

Respectfully submitted,

Dawn M. Davis
Executive Secretary
Statewide Benefits Office, OMB